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# HOUSEHOLD AND NATIONAL FOOD SECURITY IN SOUTHERN AFRICA

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# ECONOMIC POLICY REFORM AGENDA FOR SOUTHERN AFRICA

Bernard T.G. Chidzero<sup>1</sup>

## INTRODUCTION

You have asked me to speak on "the agenda for economic policy reform for Southern Africa". Bearing in mind the importance of the theme of the conference, which is "food security research", I am glad to do so--although the subject I am expected to cover is clearly vast and complex and I can but adumbrate some of the key issues.

I would like, in attempting to determine possible policy reform options open to Southern Africa to facilitate economic growth, including food security and raising the standards of living of our peoples, to outline briefly some of the major constraints to economic growth in the region. These can conveniently be broadly classified into three categories, viz. external circumstances, factors of nature, and domestic conditions and policies.

Regarding external circumstances, there can be little doubt in anybody's mind that during the 1980s the global economic environment, which has had a negative impact on developing countries, had been characterised, *inter alia*, by:

- o declining commodity prices and deterioration in terms of trade of developing countries;
- o reduced export earnings and growing balance of payments difficulties;
- o growing protectionism in the developed market economies, including wasteful agricultural subsidies and escalation of tariffs on manufactured exports of developing countries;
- o reduced official development assistance (ODA) flows in real terms, coinciding with reduced export earnings;
- o reverse financial flows from developing to developed countries, and the over-arching debt crisis which threatens the viability of our fragile economies and could undermine the international monetary and financial system itself;
- o high real interest rates and rising or fluctuating exchange rates, including misalignment of macroeconomic policies in developed countries, and aggravation of the debt burden; and
- o erosion of multilateralism and a tendency to resort more and more to unilateral and bilateral actions, in any case preoccupation with domestic issues such as inflation and unemployment in industrialised countries, until relatively recently when multilateralism could be said to be on a revival path.

The list is not exhaustive, but the constraints on developing countries are clear. The question is how can we unite or coordinate our efforts to influence changes in the international environment. And for us in Southern Africa, this situation has

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been further compounded by South Africa's destabilisation activities which have been focussed on the destruction of our infrastructure and other economic targets, leading to immense waste of human and financial resources, the displacement of thousands of our people, human suffering, and untold loss of life.

Natural factors, relating not only to natural resource endowment, including arable land and rainfall but also to natural hazards, have likewise been major constraints. Sparse natural resources have restrained or inhibited development and droughts have taken their tolls, leaving behind trails of death and desertification, wreaking havoc on our fragile economies. There are other hazards--floods, devastating insects, and so on. The challenge is there: how to cope or tame, or control or eradicate such of those hazards as are amenable to human action or to change.

But the major constraints to economic development in Southern Africa are not wholly externally induced, to be eased through international action or assistance; nor mainly attributable to the vagaries of nature, calling for recourse to appeals to the Gods! There can be no avoiding the central issue that unless individual governments formulate and implement policies and programmes that address domestic as well as other constraints on the rapid growth of their economies in the short, medium and the longer term, international assistance or action cannot do the job, nor can mere resort to the Gods. Furthermore, these national approaches have to be supplemented by well-defined and coherent regional initiatives if economies of scale are to be realised and comparative advantages exploited.

On this last point, it should be said that individually our economies are not strong as they are dependent upon outside markets and transport. But taken collectively, for instance, SADCC with a total population of about 70 million is an important economic grouping. At the 1988 SADCC *Annual Consultative Conference* in Arusha, Tanzania, we identified some of the internal constraints to economic growth, including:

- o foreign exchange shortages;
- o shortage of capital, technical and managerial skills;
- o very weak relations among national currencies; and
- o the limited size of national markets.

To these constraints we can also add:

- o the monocultural or near-monocultural nature of many of our economies which gives rise to excessive reliance on a narrow range of export commodities;
- o massive budget deficits;
- o high population growth rates; and
- o little or no direct foreign investment.

As SADCC, we have embarked on a number of regional initiatives which, if successful, would help ease these constraints. For instance, the study on the establishment of Export Prefinancing Revolving Funds is now at an advanced stage. We are also examining the viability and operational modalities of a regional Export Credit Facility and Cross Border Investment. Our cooperating partners, most

notably the Nordic countries, are also currently studying various initiatives to boost interregional and intraregional trade and investment. However, such regional initiatives need the total support and commitment of all participating states if they are to succeed.

At the national level, Southern African states have embarked on various structural adjustment programmes which are aimed at promoting economic growth and stimulating investment. For instance:

- o New or revised investment control regulations have been, or are being introduced--including arrangements for the repatriation of earnings, financial incentives schemes for investors, and exporters, etc.
- o Excessive controls of macroeconomic management are being eased, *e.g.*, many member States are adjusting the exchange rates of their currencies, easing exchange control regulations, implementing or considering to implement varying measures of liberalisation, etc.
- o Excessive price controls, and the resultant distortions to relative prices, are being reviewed or relaxed. For example, Tanzania and Zambia have considerably reduced the number of items on their price control lists and instituted pricing systems more favourable to agricultural production.
- o Prices and incomes policies which redress the imbalance between rural and urban areas are being attended to.
- o Finally, the weights given to export-oriented versus inward-looking growth are being reexamined.

Mr. Chairman, it is important to note that these reform programmes are not being implemented uniformly or at the same pace or with the same intensity--but on the basis of the objective conditions existing in each country. However, structural adjustment programmes, as has been proved not only in this region but also in the rest of the developing countries, can have negative socio-political implications, especially if the adjustment process is externally induced. There is therefore a need to ensure that structural adjustment programmes are supported by increased financial assistance from the developed countries and multilateral agencies so as to cushion the socio-political effects of the adjustment process.

In formulating reform programmes, external technical assistance can be sought from several sources--bilateral, regional, or multilateral. However, this assistance can be effective only if it works within an institutional structure designed to produce operationally relevant policies and programmes--and is also sensitive to the socio-political and economic needs of Southern African states.

There are internally many pressing specific problems which call for urgent action and compete for scarce resources, often affecting the balance between capital and recurrent expenditure as well as allocation of resources to research as against immediate action programmes. Sustained efforts have to be made to overcome employment, to reduce high budget deficits, and to redress the unacceptability high debt service obligations whilst at the same time maintaining necessary recurrent expenditures as well as our external credit-worthiness. There is need to diversify our exports and to realise full capacity utilisation of our productive sectors. While in the

SADCC area our programmes and projects on infrastructural development have so far proved modest successes despite South Africa's destabilisation activities, there is still a great need to continue developing our infrastructure and to underpin investment in production, especially in agriculture as a main engine for economic growth and in the manufacturing sector to effect structural transformation and industrialisation.

Given the colonial history and structure of our economies, on the basis of the objectives stated in national and regional plans and taking as obvious for the moment the critical importance of food and agriculture, attention ought to be paid to investment in the production of capital and intermediate goods for use in the productive sectors to facilitate, in turn, the production of consumer goods to meet basic needs. Emphasis should be put on the utilisation of domestic or regional resources, particularly raw materials as a key element of the strategy. This would reduce the import content of products, creating greater value-added, forging intra-SADCC trade linkages, and making investment opportunities available to all member states according to their indigenous resource endowments.

In nearly all the SADCC member states, most of the major companies--including banking, insurance, and trading--are dominated by foreign interests. This makes it difficult to redirect investment and trading patterns, and to retain profits for re-investment within the region. As a way to redress this situation, over and above purely domestic restructuring efforts, it is necessary to establish genuinely regional companies through regional joint ventures, as well as joint ventures between regional and foreign enterprises. Cross-border investment and such facilities as the proposed *Norsad Fund* could be promotive of such joint ventures--it being understood, of course, that there would be national legislation supportive of these endeavours.

Technological dependence represents another significant constraint in localising production within the region. There is therefore need to deploy more resources to research and development so that technology policy and programmes should be oriented towards:

- o technical skills promotion and manpower development;
- o import-saving innovations;
- o adaptation of technologies to conditions in the region; and -
- o designing, developing, and commercialising technologies within the region.

Mr Chairman, let me now turn to the subject which is central to the purpose of your meeting--i.e., agriculture. There is considerable food deficiency in the region and large sums of money to go into food import, while the incidence of food aid flows to the region has not declined. Although one is aware that South Africa's destabilisation activities and direct invasions have seriously affected agricultural production in some of the SADCC member states, the critical point is that serious attention should be paid to agriculture through carefully considered and operationally viable policies.

Agriculture remains the mainstay of the SADCC regional economy, contributing about 34% of the region's GDP, employing about 79% of the total labour force, and contributing about 26% of the total foreign currency earnings. However, per capita

food production in the region has declined to the extent that in 1988 an estimated 1.9 million mt of maize grain equivalent (MGE) will be required in commercial imports and food aid. Such dependence on commercial food imports and food aid, if not redressed urgently, will aggravate balance of payments positions of the importing countries and seriously affect agricultural production in the region insofar as imports--especially if then sold at subsidized prices--easily depress or discourage domestic production.

The need is clearly to formulate policies and programmes to enhance agricultural production, not only commercial but also, and perhaps mainly peasant agriculture and the role of women in agriculture, depending on the circumstances of each country. This would reverse the increasing dependence on food imports, possibly produce surpluses for export and thus enhance export earnings and improve the standards of living of the bulk of the population. This would also provide many of the much needed inputs for the industrial sector and stimulate demand for agriculture's output, as well as strengthen the domestic income and tax base to finance social and infrastructural programmes that would ease the basic constraints on our development.

In this regard, the thrust of the SADCC Food, Agriculture and Natural Resources strategies which are aimed at addressing policy issues in an attempt to improve the policy framework for enhanced agricultural production, is highly commendable and Zimbabwe, both as a major producer of agricultural products and as the country in SADCC charged with the coordinating responsibility in the food sector, has a very major role to play. In the same way, the convening of conferences such as yours, dedicated to food security research in Southern Africa, is most timely and welcome. It is my hope that your efforts are well coordinated with those of such organisations as the Southern African Centre for Co-operation in Agricultural Research (SACCAR) which through the Matopos-based International Centre for Research in the Semi-Arid Tropics (ICRISAT) has already carried out tests on varieties of drought-resistant crops, *e.g.*, sorghum and millet.

It has been suggested elsewhere, and I agree, that once research and technological change in African food production are seen as central, it is necessary to weigh the relative importance of three sets of policy relevant questions. First, what is the nature of the technological problems that science must overcome to boost productivity on a sustained basis, and how adequate are current research and extension processes? Second, what are the roles of other support services and infrastructure, including provision of inputs, output marketing systems, roads, and institutional knowledge? Third, what incentives would influence at least some farmers to produce more, once the technological potentials are available and the necessary inputs and output marketing channels are in place?

However, our coordinated regional approach should not be confined to research into food security alone. It should cover other pressing issues such as transportation, processing, storage, pricing, marketing, and the whole question of agricultural trade, not only within the region but also with the developed market economies. In this regard, at a time when GATT--through the Uruguay Round on Trade Negotiations--is nearing the Midterm Review (December 1988), it is also important to find

common ground and mould and concretise our positions, especially in the area of world agricultural trade. In the Southern African region, it will be politic to work together in identifying areas of mutual interest and be in a position to negotiate jointly as a region in close cooperation with other developing countries in some of the multilateral organisations, such as GATT and the LOME Conventions.

I must, in conclusion, underline the fact that I am only fully aware that I have not even outlined an economic reform agenda for Southern Africa for a variety of reasons including, in particular, the complexity of the subject and the variability of circumstances as well as national predilections and policy stances. But I do hope I have at least outlined some of the key issues and presented a "menu", not of options but of issues and possible measures. I do also hope I have made the general challenge clear.

More reassuredly, I note with satisfaction that your conference will consider most of the issues in detail and we eagerly await the outcome of your deliberation. I therefore wish you success and sincerely hope that you will also enjoy your stay here in Harare.

Thank you.





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